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INFORMATION REPORT

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SUBJECT Background of the Agricultural Reform Program
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1. At the present time the whole structure of Soviet agricultural economy is undergoing profound and significant changes. Many Western observers refer to these changes as the beginning of a new era of the "New Economic Policy" in agriculture because some of the measures recently adopted by the Soviet government to increase agricultural production seem to indicate that the Communists are again retreating from their basic economic principles. [(1) See references Enclosure (A)] Some economists are even inclined to call this reform "the third revolution in Soviet agriculture" and to compare it with what is known as the first and second agricultural revolutions, namely: the nationalization of land which followed the Bolshevik Revolution of 1917 and the campaign of complete collectivization and "liquidation of Kulaks as a class" during the First-Five-Year-Plan in 1929-30. (2)
2. The Malenkov regime has certainly adopted a new policy toward collective farming, which lays greater stress upon agriculture and calls for increased investments. The question arises: will Communists be able to solve successfully their agricultural difficulties within the limitations set by their own dogma?
3. The agricultural reform program launched in September 1953 represents only another link in the chain of events which has been influencing and molding the development of Soviet agriculture during the last decade. Therefore it must be considered in the light of historical retrospect. It is a well established fact

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Throughout the pre-World War II Five-Year-Plans, Soviet agriculture had been neglected by the government, while primary attention had been given to the development of heavy industry. The whole future of Communism, with its ultimate goal of world conquest, depended on the successful and quick realization of the transformation of a backward agrarian country into an industrial power. In Communist planning, the development of agriculture has always occupied a subordinate and secondary place. The Soviet government apparently believed that it did not need much to feed its subjects. At the session of the Supreme Soviet in 1923, Premier Malenkov stated that almost 65% of all investment between 1928 and 1933 (the whole period of the planned economy) went for production of consumer's goods and only 9.4% for agriculture.⁽⁵⁾ As a result, on the eve of World War II gross output and per capita output of the main agricultural products hardly reached the level of so-called "basic years" in the USSR before the introduction of the planned economy.⁽⁶⁾

Soviet agriculture suffered greatly as the result of the devastations of World War II. The most fertile regions of the Soviet Union were subjected to German occupation. Collective and Soviet state farms lost their implements, livestock and machinery. Losses in manpower were also very heavy.⁽⁷⁾ This situation was further aggravated by the fact that after the end of the war a vast number of demobilized servicemen preferred not to go back into the drudgery of the collective farms but to seek employment in urban industry. After the war the complete collapse of prewar Communist agricultural policy appeared certain. In 1942 Soviet agriculture suffered further from a serious drought.⁽⁸⁾ The situation called for basic policy changes. Overall planning of the Soviet economy was in need of complete reevaluation. All corrective measures devised along standard lines of the prewar agricultural policy, such as strengthening of "kolkhoz-discipline", changes in remuneration of labor, introduction of new "social campaigns" etc proved inadequate. It is a significant coincidence that at that time (March 1949) Nikolay Voznesensky, head of the State Planning Commission, and his staff were dismissed.⁽⁹⁾ For the next three years Communists tried desperately to improve the critical conditions in agriculture by establishing so-called "agrogoroda".⁽¹⁰⁾ Eventually this idea proved impotent and had to be given up. Finally, in October 1952 Stalin himself took to the rostrum to voice alarm and warning. He recognized the necessity of major reforms. The main thesis of his book "Problems of Economics" is his admission of the fact that objective economic conditions exist not only in a capitalistic world but also in a socialist society, and that economic laws cannot be abolished or even altered by political actions.⁽¹¹⁾

5. True to their rules and principles of complete secrecy, Communists tried as long as possible to conceal their problems in agriculture. As recently as October 1952, the present Premier Malenkov deliberately gave false and misleading information on Soviet agriculture. In his report to the XIX Congress of the Communist Party Malenkov observed: "The grain problem, which was formerly regarded as the most acute and serious problem, has been successfully solved; it has been solved decisively and forever."⁽¹⁰⁾ Furthermore he said: "Our agriculture and stock-breeding are in a state of new and powerful progress. We all are happy to see the gigantic growth of our Socialist agricultural economy."⁽¹¹⁾ The official Soviet encyclopedia gave the following table "to illustrate the growth of Soviet agriculture":

Progress in Soviet Stock-breeding⁽¹²⁾

Animals (in million heads)	All farms		Kolkhoz only		1950 over 1940 in %	
	1940	1950	1940	1950	All farms	Kolkhoz only
Cattle, horned	54.9	65.3	22.1	25.3	119.8	120.8
Sheep & goat	91.6	121.5	41.9	66.1	132.0	132.5
Pigs	27.5	31.2	8.2	11.0	113.4	132.3

Only with the death of Stalin in March 1953 did the outside world learn about the serious economic disease affecting the Soviet Union. Stalin's heirs had to make a quick and important decision about the looming crisis in agriculture.

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The so-called "collective leadership" which took over, knew that in the atmosphere of political uncertainty, agricultural ~~leaders~~ becomes extremely dangerous and could explode from the smallest spark. Such a catastrophe would push the whole Soviet structure into the abyss of economic depression.

6. In September 1953 Nikita Khrushchev, First Secretary of the Communist Party, in a dramatic move bluntly told about the tragic situation in Soviet agriculture.(13) Without bothering to offer any explanation of the striking controversy between his own evaluation and that of his chief, Premier Malenkov(14), Khrushchev revealed some of the statistics on agriculture. He cited absolute figures and drew a picture of Soviet agriculture, which even though incomplete, showed that the industrial might of the Soviet Union had been built on quick sand. From Khrushchev's speech we learn that Soviet agriculture could not provide an adequate supply of basic products, since gross agricultural production increased between 1940 and 1952 by only 10%.(15) Especially appalling is the situation which, according to Khrushchev, exists in Soviet livestock breeding. He gave, for instance, the following statistical data: in the whole Soviet Union there were 33.2 million cows in 1928, 28.8 million in 1941, and only 24.3 million in 1953. He reported that collective farms have shown complete inability in handling livestock. The number of cows in the collective farm herds is at a dangerously low level. In the Ukraine the ratio has been reduced to 24% of the total number of cattle, in Rostov region to 21%, in Moldavia to 19%. On all Soviet collective farms (kolkhoz), there were only one million three hundred thousand cows in 1953 as compared with one million eight hundred thousand cows in 1935.(16) According to Khrushchev, production of milk has reached a very low level. In 1952 it was only 906 kg per cow on the collective farms in the Kostroma region, 819 kg per cow on the collective farms in the Vologda region, 457 kg per cow on the collective farms in the Georgian SSR, and 378 kg in the Azerbaijan SSR. (17) In the main region of Soviet sheep-raising, Kazakh SSR, the average output of wool per sheep decreased from 2.4 kg in 1940 to 1.9 kg in 1952. Khrushchev stated: "The output of the gross produce in swine-breeding in 1952 was only 1.0 million tons as compared with 1.5 million tons in 1940".(18)

Khrushchev's data and some of the figures published earlier in the Soviet press are compiled in the following table:

Livestock in the USSR (in millions)

<u>Animals</u>	<u>1928</u>	<u>1938</u>	<u>1953</u>	<u>1954 (plan)</u>
Cattle, horned	70.5	63.2	56.6	65.9
Sheep & goats	140.7	102.5	109.9	144.4
Pigs	26.0	30.6	28.5	34.5

Since the population of the Soviet Union has increased during the last 25 years by some 40%,(19), computation on a per capita basis gives an even more representative picture of Soviet regression in animal husbandry. Such per capita figures yield the following results:

Livestock in the USSR (per capita)

<u>Animals</u>	<u>1928</u>	<u>1953</u>
Cattle, horned	0.44	0.27
Sheep & goats	0.76	0.52
Pigs	0.16	0.14

7. For reasons not given, Khrushchev did not reveal any absolute figures on grain production. But even by using figures quoted by Malenkov in his, rather optimistic, report to the XIX Congress of the Communist Party in October 1952(20), we find that there were 730 kg of grain per capita in 1937 and only 520 kg of grain per capita in 1952. Articles published by leading Soviet newspapers reveal more about deplorable conditions existing in Soviet agriculture. For instance, "Pravda,"

29 Sep 53 complained that: "... In many regions, districts and republics the sowing areas under potatoes and other vegetables have not reached the prewar level... yield remains low". "Pravda", 26 Sep 53 stated that: "The level reached in production of meats, milk, wool, eggs, hides and other products of animal husbandry is unsatisfactory... State plans for the increase of livestock and poultry have not been fulfilled year after year."

3. Khrushchev has tried diligently to show that the main cause of the present critical situation in Soviet agriculture has been a "technical" one. He would like to convey the impression that the basic principles of Communist farm policy have proved correct and were not responsible for any shortcomings. He complained that: "During the post-war years a large number of the best educated collective peasants have transferred to work in industry."(21) He also blamed local collective farm leadership for its inability and low efficiency. Actually, these factors played only the secondary role in the development of the present crisis. The main reasons for the failure of Soviet agricultural policy are to be found elsewhere.
4. It is a well known fact that the percentage of rural population in the Soviet Union is still much higher than in the advanced industrial countries of the Western World.(22) Therefore it is not physical shortage of manpower but the low productivity of the so-called "socialized" labor, which has been mainly responsible for failures of the Soviet agricultural economy. Present reform is, in effect, Communist recognition of the simple economic axiom that the most essential incentive for productive work is personal interest.(23) During the years of "the great social experiment" Communists tried in vain to invent and to apply numerous artificial substitutes for this basic driving power of human progress. These so-called "social stimuli" have been the features of Soviet economic life, since the time of the Bolshevik Revolution. They have taken different forms and they have been called different names: "Socialist emulation", "proletarian consciousness", "Stakhanov's movement", "Soviet patriotism", "criticism and self-criticism", etc. But they all have this in common: They have not produced results unless supplemented to a great extent by plain elemental fear, fear of arrest, fear of torture, fear of starvation, fear of cold death in Siberia and many other kinds of fear. And every time the Soviet government, for reasons other than humanity, has had to resort temporarily to milder treatment of its subjects, it had to reintroduce well recognized but completely anti-Marxian methods of economic stimulation.
10. Today, in order to save their regime, Communists are forced to do more than merely devise new slogans and mottos for their propaganda. A period of a "pocket size New Economic Policy" in agriculture has actually begun. Collective peasants are encouraged to enlarge and develop their private landholdings. Prices for cattle delivered to the state have been increased by not less than 5%, delivery prices for milk and butter have been increased by 100%.(24) This will not only create economic stimulus but will also increase buying power of the peasants and their demand for industrial consumer's goods. In order to satisfy this demand and to avoid increase in prices and general inflation, the regime will have to step up production of consumer's good. Taxes paid by collective farmers on the income derived from their individual households have been substantially reduced.(25) Simultaneously an increase in output of light industry has been promised by the new leaders.(26) But at the same time Communists are undertaking a new political-administrative campaign in order to eventually place the weakened sector of their "economic front" under tight control. Khrushchev dedicated a good part of his speech on agriculture to this theme. He said: "Why do not we now... issue an appeal on behalf of the Party, call on the best people from the cities, let us say, fifty thousand Communists, and send them to strengthen the work in the village?"(27)
11. It is very likely that, based on historical precedent, as soon as the Party control apparatus feels itself strong enough and becomes again absolute master in Soviet villages, "the Malenkov New Economic Policy" will be called off. Communists do

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not change their goals and objectives. They only change their tactics. Their tactics are flexible but their goals remain the same, and their main goal was, is and will continue to be world conquest by Communism. Communist leaders in the Kremlin realize that this goal can be achieved only on the basis of a strong-arm policy, a policy which calls for industrial development, at the expense of the general economic welfare of Communist subjects. "Cannons instead of butter" is the motto of Communists today and will continue to be their motto in the years to come. The recent reforms do not present a lasting solution of the basic problem of Soviet agriculture, namely: the conflict between individualistic and collectivist psychologies. These reforms are only a temporary expedient on the part of Communists, a compromise, introduced in order to postpone the implementation of the solution of the agricultural problem to an historical moment more favorable to them.

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ENCLOSURE (A): List of References [REDACTED] in the Compilation of this Report

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(1) The New Economic Policy - NEP - was a policy of restoration of "limited capitalism" devised as a remedy against economic crisis, caused by the first attempt at forming ~~Communist~~ social order, so-called "War-Communism". The "tactical retreat" was adopted by the Tenth Congress of the Communist Party in March 1921, and lasted to 1928.
Also see: V I Lenin, Collected Works, vol XVIII, pt I, pp 67, 343-4.

(2) One of the first decrees promulgated by the Second Congress of Soviets (26 October - 8 November 1917) abolished private ownership of land and declared all land to be the property of the state.

The following statement about the significance of the complete collectivization which was forcibly carried out in the campaign of 1929-30 appears in the official manual of the history of the Communist Party.

"This was a most profound revolutionary change, a jump from an old qualitative social condition into a new qualitative condition. It was equal in its significance to the revolutionary change in October 1917."

The History of the All-Union Communist Party (Bolshevik), brief course, Moscow, 1948, p 291.

(3) Malenkov's breakdown of the total investments between 1928 and 1953:

Heavy Industry	- 638 billion rubles,	63.9% of total
Light Industry	- 72 "	7.3% "
Agriculture	- 94 "	9.4%
Transportation	- 193 "	19.4%

Pravda, 9 Aug 53.

(4) Alexander Baykov gives the following statistical data:

Item	1913	1928	1939
Grain (in million quintals)	816.0 or 801	733.2	1,054
Sugar beet	99.2	101.4	210.2
Cattle (millions)	60.6	70.5	64.6
Sheep and goats (millions)	121.2	146.7	111.6
Pigs (millions)	20.9	26.0	32.5

A Daykov, Soviet Economic System, New York, 1948, p 325

There was an increase in population of about 40% between 1913 and 1939.

(5) Estimated losses of the USSR in manpower during World War II are 37.5 million.

N S Timasheff, "The Postwar Population of the Soviet Union", The American Journal of Sociology, No 2, September 1948.

According to the official Soviet statistics, the Soviet Union had temporarily lost, as the result of the German occupation during World War II, an area which accounted for 45% of the population, 33% of gross output of industry, 47% of the sown area, 45% of cattle and 55% of railway lines.

N Voznesensky, The War Economy of the USSR during the Patriotic War, Moscow, 1947.

(6) According to the official Soviet figures, gross grain production dropped from 66 million metric tons in 1945 to 61 million metric tons in 1946.

Pravda, 22 Jan 47.

(7) Nikolay Voznesensky, a leading Soviet economist, was the head of the State Planning Commission ("Gosplan") from 1939 to 1949. He was also a member of the Party Central Committee and of the ~~Central Committee~~. He also held the position of Vice-Premier. No reasons for his dismissal were ever given by the Soviet government.

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(8) "Agrogorod" in Russian means Farm-City. Communists tried to improve productivity of their agriculture by enlarging and combining Kolkhozy and by creating huge state farms (Sovkhozy). Nikita Khrushchev was believed to be in charge of this campaign which was launched in 1950. Earlier, in 1947-48, Communists made an unsuccessful attempt to increase agricultural production by introducing numerous measures known as "Stalin's Plan of Transformation of Nature". This included a huge plan for afforestation of large areas in the most fertile regions of the Soviet Union and expansion of irrigation projects.

(9) I V Stalin, Economic Problems of Socialism in the USSR, Moscow, 1952.

(10) Pravda, 10 Oct 52.

(11) Pravda, 10 Oct 52.

(12) The Great Soviet Encyclopedia, vol 20, p 934.

(13) Pravda, 15 Sep 53.

(14) Pravda, 10 Oct 52.

(15) Gross agricultural production in the Soviet Union in 1950 was only 7% larger than in 1940.
Economic Survey of Europe in 1951, Geneva, 1952, p 134.
During the same period of time, population increased by about 3% (from 193 million to 203 million).

(16) Cows owned by Sovkhozy are not included.

(17) As compared with average milk production in 1950-51 for one cow in the other countries: Holland 3700 kg, Israel 3517 kg, Belgium 3450 kg, Switzerland 3090 kg, Federal Republic 2640 kg, US 2,30 kg.
S Shvartz, The Socialist Courier, October-November, 1953, p 163.

(18) Pravda, 15 Sep 53.

(19) Population of the Soviet Union (millions):
1928 - 151 (estimated)
1953 - 210 (estimated)
The Great Soviet Encyclopedia, vol XX (p 49), gives the following three figures on the population of the USSR:
1926 - 147 million
1939 - 170.46 "
1940 - 193 "

(20) Malenkov's figure was eight billion poods (131.1 million metric tons)
Pravda, 10 Oct 52.

(21) Pravda, 15 Sep 53

(22) In his speech to the XIX Party Congress in October 1952, Malenkov stated that the urban population of the Soviet Union was 80 million. This means that about 62% of total population lives in rural communities.
Pravda, 10 Oct 52.
In the US this ratio is only 36.3% and in Canada 40%.

(23) Great economist Adam Smith observed that:
"The experiences of all ages and nations demonstrate that the work done by slaves, though it appears to cost only their maintenance, is in the end the dearest of any. A person who can acquire no property can have no other interest but to eat as much and to labor as little as possible. Whatever work he does beyond what is sufficient to purchase his own maintenance can be squeezed out of him by violence only, and not by any interest of his own."
Adam Smith, Wealth of Nations, 1937 ed, p 365.

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Karl Marx pointed out that:
"The lowest possible wage which a slave earns appears to be a constant, independent of his work."
"Manuscripts of Karl Marx", Bolshevik, 1932, No 5.

(24) Pravda and Izvesliya, 26 Sep 53.

(25) Pravda, 13 Sep 53.

(26) Malenkov's speech to the Supreme Soviet, Pravda, 9 Aug 53.
Mikoyan's speech on production of consumers goods, Pravda, 25 Oct 53.
"Decrée on Increasing Output of Consumer's Goods", Izvestiya, 28 Oct 53.

(27) Pravda, 15 Sep 53.

721.2	N
783.33	N
727.04	N
727.13	N
722.1	N